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Proposal for a DECISION OF THE EUROPEAN PARLIAMENT AND OF
THE COUNCIL amending Decision (EU) 2015/1814 as regards the amount
of allowances to be placed in the market stability reserve for the Union
greenhouse gas emission trading scheme until 2030
– General approach

In preparation for the Council (Environment) meeting on 28 June 2022, delegations will find in the Annex the Presidency compromise text on the above subject.

**Proposal for a Decision of the European Parliament and of the Council
amending Decision (EU) 2015/1814 as regards the amount of allowances to be placed in the
market stability reserve for the Union greenhouse gas emission trading scheme until 2030**

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 192(1) thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee¹,

Having regard to the opinion of the Committee of the Regions²,

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) The Paris Agreement, adopted in December 2015 under the United Nations Framework Convention on Climate Change (UNFCCC) entered into force in November 2016 (“the Paris Agreement”)³. The Parties to the Paris Agreement have agreed to hold the increase in the global average temperature well below 2 °C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1,5 °C above pre-industrial levels.

¹ OJ C , , p. .

² OJ C , , p. .

³ Paris Agreement (OJ L 282, 19.10.2016, p. 4).

- (2) Tackling climate and environmental-related challenges and reaching the objectives of the Paris Agreement are at the core of the Communication on “The European Green Deal”, adopted by the Commission on 11 December 2019⁴.
- (3) The European Green Deal combines a comprehensive set of mutually reinforcing measures and initiatives aimed at achieving climate neutrality in the EU by 2050, and sets out a new growth strategy that aims to transform the Union into a fair and prosperous society, with a modern, resource-efficient and competitive economy, where economic growth is decoupled from resource use. It also aims to protect, conserve and enhance the Union's natural capital, and protect the health and well-being of citizens from environment-related risks and impacts. At the same time, this transition affects women and men differently and has a particular impact on some disadvantaged groups, such as older people, persons with disabilities and persons with a minority racial or ethnic background. It must therefore be ensured that the transition is just and inclusive, leaving no one behind.
- (4) The necessity and value of the European Green Deal have only grown in light of the very severe effects of the COVID-19 pandemic on the health, living and working conditions and well-being of the Union’s citizens, which have shown that our society and our economy need to improve their resilience to external shocks and act early to prevent or mitigate them. European citizens continue to express strong views that this applies in particular to climate change⁵.
- (5) The Union committed to reduce the Union’s economy-wide net greenhouse gas emissions by at least 55 % by 2030 below 1990 levels in the updated nationally determined contribution submitted to the UNFCCC Secretariat on 17 December 2020⁶.

⁴ COM(2019)640 final.

⁵ Special Eurobarometer 513 on Climate Change, 2021
(https://ec.europa.eu/clima/citizens/support_en).

⁶ https://unfccc.int/sites/default/files/NDC/2022-06/EU_NDC_Submission_December%202020.pdf

- (6) In Regulation (EU) 2021/1119 of the European Parliament and of the Council⁷ the Union has enshrined the target of economy-wide climate neutrality by 2050 in legislation. That Regulation also establishes a binding Union domestic reduction commitment of net greenhouse gas emissions (emissions after deduction of removals) of at least 55 % below 1990 levels by 2030.
- (7) All sectors of the economy need to contribute to achieving those emission reductions. Therefore, the ambition of the EU Emissions Trading System (EU ETS), established by Directive 2003/87/EC of the European Parliament and of the Council⁸, should be adjusted to be in line with the economy-wide net greenhouse gas emissions reduction commitment for 2030.
- (8) In order to address the structural imbalance between supply and demand of allowances in the market, Decision (EU) 2015/1814 of the European Parliament and of the Council⁹ established a market stability reserve (the ‘reserve’) in 2018, which has been operational since 2019.
- (9) The reserve functions by triggering adjustments to the annual volumes of allowances to be auctioned. In order to preserve a maximum degree of predictability, Decision (EU) 2015/1814 established clear rules for placing and releasing allowances in the reserve.

⁷ Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 (‘European Climate Law’) (OJ L 243, 9.7.2021, p. 1).

⁸ Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a system for greenhouse gas emission allowance trading within the Union and amending Council Directive 96/61/EC (OJ L 275, 25.10.2003, p. 32).

⁹ Decision (EU) 2015/1814 of the European Parliament and of the Council of 6 October 2015 concerning the establishment and operation of a market stability reserve for the Union greenhouse gas emission trading scheme and amending Directive 2003/87/EC (OJ L 264, 9.10.2015, p. 1).

- (10) Where the number of allowances in circulation is above the established upper threshold, an amount of allowances corresponding to a given percentage of these allowances is deducted from the volumes of allowances to be auctioned and placed in the reserve. Meanwhile, a corresponding number of allowances is released from the reserve to Member States, and added to the volumes of the allowances to be auctioned, if the total number of allowances in circulation falls below the established lower threshold.
- (11) Directive (EU) 2018/410 of the European Parliament and of the Council¹⁰ amended Decision (EU) 2015/1814 by doubling the percentage rate to be used for determining the number of allowances to be placed each year in the reserve from 12 % to 24 % until 31 December 2023.
- (12) In accordance with Decision (EU) 2015/1814, within three years of the start of the operation of the reserve, the Commission is to carry out its first review on the basis of an analysis of the orderly functioning of the European carbon market and, where appropriate, submit a proposal to the European Parliament and to the Council.
- (13) The review paid particular attention to the percentage figure for the determination of the number of allowances to be placed in the reserve, as well as to the numerical value of the threshold for the total number of allowances in circulation and the number of allowances to be released from the reserve.
- (14) The analysis carried out in the context of the reserve's review and the expected developments relevant to the carbon market demonstrate that a rate of 12 % of the total number of allowances in circulation to be placed in the reserve each year after 2023 is insufficient to prevent a significant increase of the surplus of allowances in the EU ETS. Therefore, after 2023 the percentage figure should continue to be 24 %, and the minimum number of allowances to be placed in the reserve should also continue to be 200 million.

¹⁰ Directive (EU) 2018/410 of the European Parliament and of the Council of 14 March 2018 amending Directive 2003/87/EC to enhance cost-effective emission reductions and low-carbon investments, and Decision (EU) 2015/1814 (OJ L 76, 19.3.2018, p. 3).

- (15) If the rate of the total number of allowances in circulation to be placed in the reserve each year reverts to 12 % after 2023, a potentially harmful surplus of allowances in the EU ETS may disturb market stability. In addition, the rate of 24 % after 2023 should be established separately from the general review of Directive 2003/87/EC and Decision (EU) 2015/1814 to strengthen the EU Emissions Trading System in line with the Union's increased climate ambition for 2030 to ensure market predictability.
- (16) Decision (EU) 2015/1814 should therefore be amended accordingly,

HAVE ADOPTED THIS DECISION:

Article 1

Amendments to Decision (EU) 2015/1814

In Article 1(5), first subparagraph, of Decision (EU) 2015/1814, the last sentence is replaced by the following:

‘By way of derogation from the first and second sentences, until 31 December 2030, the percentages and the 100 million allowances referred to in those sentences shall be doubled.’

Article 2

Entry into force

This Decision shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

Done at Brussels,

For the European Parliament

The President

For the Council

The President